

2015

PAAO GRANT MANAGEMENT

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VIRGINIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT



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Finance Matters

**For Community Development Block Grant
(CDBG) and Indoor Plumbing Rehab (IPR)
Programs**



FINANCIAL MANAGEMENT REQUIREMENTS

The Fundamentals



- Generally Accepted Accounting Principles or GAAP
- Internal Controls
- Monthly Reports
- Chart of Accounts
- Cash Management

Bonds: Safeguarding your Funds



- Every person with direct access to CDBG or IPR funds must be bonded:
 - ✓ Persons who submit remittance requests to DHCD;
 - ✓ Persons who sign the checks; and/or
 - ✓ Persons who open or process loan repayments.

Amount of bond must be equal to or greater than largest anticipated remittance request.

Annual Audits



All CDBG grantees and IPR Regional Administrators must upload into CAMS one of the following:

- Financial Statement,
- Reviewed Financial Statement prepared by an independent Certified Public Accountant (CPA),
- Audited Financial Statement prepared by an independent CPA, *or*
- An OMB A-133 Audit (Single Audit) prepared by an independent CPA.

When Is the Audit Due?



- Nine (9) months after the end of your fiscal year *or*
- Thirty (30) days after your CPA-approved financial statement or audit has been accepted, whichever comes first



Mrs. Cooper presented the following financial status report, noting that Drawdown 7 has been received but Drawdown 8 and Drawdown 9 are still pending. Ms. Boehringer has stated that DHCD has approved both requests, but they are waiting on HUD.

FINANCIAL SUMMARY

Task:	CDBG BUDGET 6/9/15 BR #3	Cumulative DD DD #9 Submitted 6/12/15	% of Total	CDBG Balance
Administration	60,000.00	35,600.00	59%	24,400.00
Clearance and Demolition	1,000.00	0.00	0%	1,000.00
Owner-Occupied Rehab	0.00	0.00	#DIV/0!	0.00
Investor-Owned Rehab	129,316.00	128,725.67	100%	590.33
Substantial Reconstruction	409,684.00	123,610.20	30%	286,073.80
Total	600,000.00	287,935.87	48%	312,064.13

Financial Summary to Project Management Team

Mrs. Cooper provided the following status on actual and anticipated costs for construction; however, it still does not reflect current cost estimates yet for the homes in Round 3.

TOTAL CONSTRUCTION COMPARISON

CODE	TYPE	BUDGETED	ACTUAL COSTS	ANTICIPATED COSTS	VARIANCE
OR	OWNER-OCCUPIED REHAB	0.00	0.00	0.00	0.00
IOR	INVESTOR-OWNED REHAB	107,760.00	38,260.00	69,500.00	0.00
SR	SUBSTANTIAL RECONSTRUCTION	376,785.00	0.00	329,888.00	46,897.00
Balance is not based on current cost estimates for Round 3					46,897.00

Construction Summary to Project Management Team

DHCD CAMS Project Budget (screenshot):

Project Budget Information

Please enter your Total Request: \$

Revision #: PR0002 (Approved)

Cost/ Activity Category	Add	Delete
<input checked="" type="checkbox"/> Administration	<input type="button" value="Add"/>	<input type="button" value="Delete"/>
<input checked="" type="checkbox"/> Interim Assistance	<input type="button" value="Add"/>	<input type="button" value="Delete"/>
<input checked="" type="checkbox"/> Permanent Relocation	<input type="button" value="Add"/>	<input type="button" value="Delete"/>
<input checked="" type="checkbox"/> Acquisition	<input type="button" value="Add"/>	<input type="button" value="Delete"/>
<input checked="" type="checkbox"/> Clearance and Demolition	<input type="button" value="Add"/>	<input type="button" value="Delete"/>
<input checked="" type="checkbox"/> Owner Occupied Housing Rehabilitation	<input type="button" value="Add"/>	<input type="button" value="Delete"/>
<input checked="" type="checkbox"/> Investor-Owned Housing Rehabilitation	<input type="button" value="Add"/>	<input type="button" value="Delete"/>
<input checked="" type="checkbox"/> Owner Occupied Substantial Reconstruction	<input type="button" value="Add"/>	<input type="button" value="Delete"/>
<input checked="" type="checkbox"/> Homeownership Creation	<input type="button" value="Add"/>	<input type="button" value="Delete"/>
<input type="checkbox"/> Sewer Improvements	<input type="button" value="Add"/>	<input type="button" value="Delete"/>
<input type="checkbox"/> Construction		
<input type="checkbox"/> PER/PAR		
<input type="checkbox"/> Other	<input type="text" value="Inspection"/>	
<input type="checkbox"/> Water Improvements	<input type="button" value="Add"/>	<input type="button" value="Delete"/>
<input type="checkbox"/> PER/PAR		
<input type="checkbox"/> Other	<input type="text" value="Inspection"/>	
<input type="checkbox"/> Construction		
<input type="checkbox"/> Street Improvements	<input type="button" value="Add"/>	<input type="button" value="Delete"/>
<input type="checkbox"/> PER/PAR		
<input type="checkbox"/> Other	<input type="text" value="Inspection"/>	
<input type="checkbox"/> Construction		

DHCD Request	Other Funding	TOTAL	Available Funds
\$26,267.00	\$0.00	\$26,267.00	\$13,745.00
\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$150,000.00	\$150,000.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$1,218,400.00	\$1,218,400.00	\$0.00
\$69,084.40	\$37,720.00	\$106,804.40	\$20,355.34
\$61,224.90	\$37,720.00	\$98,944.90	\$14,965.50
\$4,730.00	\$0.00	\$4,730.00	\$2,260.34
\$3,129.50	\$0.00	\$3,129.50	\$3,129.50
\$53,306.00	\$33,720.00	\$87,026.00	\$15,803.94
\$4,400.00	\$0.00	\$4,400.00	\$2,223.30
\$1,881.00	\$0.00	\$1,881.00	\$1,881.00
\$47,025.00	\$33,720.00	\$80,745.00	\$11,699.64
\$128,947.50	\$0.00	\$128,947.50	\$37,974.86
\$8,250.00	\$0.00	\$8,250.00	\$3,908.60
\$5,747.50	\$0.00	\$5,747.50	\$5,747.50
\$114,950.00	\$0.00	\$114,950.00	\$28,318.76

Financial Summary to Project Management Team



REQUESTING FUNDS FROM DHCD

Who Can Submit a Remittance?



- A consultant or local partner can *prepare and save* the remittance in CAMS.
- They can also upload all associated invoices or products along with request.
- The Grantee or Regional Administrator must *submit* the remittance.

What is the Review Process?



- ✓ Community Development Specialist (CDS) reviews the request and approves or, if necessary, denies it;
- ✓ Program Manager and Associate Director review it as part of DHCD's checks and balances; and
- ✓ Fiscal reviews it and requests funds from HUD. When approved, Fiscal notifies the Virginia Department of Accounts to release funds.

Receiving Funds



- We process your remittance request within 21 days of its receipt.

- Delays can be caused by:
 - Certification of Signatures and Address has not been submitted or remittance was submitted by someone not listed on the Certification;
 - Special Conditions have not been met;
 - Necessary support documentation has not been submitted;
 - Need for budget revision; and/or
 - Holiday season.



BUDGET REVISIONS

Reasons for a Budget Revision



- Rehab becomes a substantial reconstruction
- Reflect actual construction costs
- To increase the set-up amount due to a change order
- Actual final costs

CDBG

IPR

CDBG Budget Revision Process



- Grantee uploads revision into the “Budget Revision” tab in CAMS
- Mail *and* upload into “Reports & Communications” tab:
 - Cover letter signed by Chief Executive Officer;
 - Budget revision worksheet; and
 - Signed revised budget.
- CDS receives e-mail that it has been submitted;
- DHCD reviews request;
- If revision does not significantly change the scope, benefits or objectives of the project, DHCD approves it in CAMS; and
- DHCD mails and uploads approval letter.

IPR Budget Revision Process



Submit:

- Change order;
- Revised set-up report; and
- Revised Project Cost Worksheet.

If you do not draw down all funds set-up, you need to revise the budget to reflect actual costs.

Change Order

Final Budget



TRACKING REVENUE AND EXPENDITURES

What Must You Track?



REVENUE AND EXPENDITURES:

- ✓ Our Funds: CDBG and IPR;
- ✓ Your Funds: Any other funding source(s) used for gap financing;
- ✓ Contracts Awards;

What Else?



REVENUE AND EXPENDITURES:

- ✓ Client's Financial Summaries;
- ✓ Client's Loan Payment History; and
- ✓ Program Income.



PROGRAM INCOME (PI)

What is Program Income?



Revenue generated in a 12-month period of \$35,000 or more from a CDBG-funded project:

- Loan payments or payoffs;
- Disposition of real property or equipment; and
- All interest earned on funds.

CDBG

Funds that are earned or received as a result of the expenditure of IPR funds:

- Loan payments and payoffs; and
- All interest earned on rollover funds.

IPR

How Can PI be Used?



- PI must be used to continue the same activity in the same location. At the time the PI is expended, an additional 10% may be used for administrative purposes, with the exception of loan servicing;
- The Program Income Plan or PIP outlines the details of how you will use PI and how it will be tracked;
- Your PIP must be submitted to DHCD for review and concurrence. Afterwards, it must be adopted by your Oversight Board, executed and uploaded into CAMS;
- If there is no approved PIP, any PI earned must be returned to DHCD.

CDBG Program Income



- Active: Revenue earned before a grant is administratively closed out. Active PI must be used to reduce future remittance requests;
- Miscellaneous: PI earned during a state fiscal year (SFY) 12-month period of \leq \$35,000 from an administratively closed out project; and
- Inactive: PI earned during a SFY 12-month period of \geq \$35,000 from an administratively closed out project.
- No amount of Miscellaneous or Inactive PI received during a SFY 12-month period may be expended until **after** the period has ended and reported to DHCD;
- Inactive PI **must** be retained until DHCD instructs the grantee to either expend locally or transmit funds to DHCD; and
- Any lump sum of \geq \$35,000 must be reported to DHCD immediately and transmitted to DHCD within 60 days.

How Do I Report CDBG PI?



- DHCD will forward a form to be filled out every summer;
- Reports will have to be submitted every year for a period of 5 years from administrative closeout; and
- Grantees managing more than one CDBG contract during the 5-year window will include the aggregate of all inactive program income and miscellaneous revenue received in any given SFY.

IPR Program Income



- Active: Revenue earned before the end of the program year. When it exceeds \$1,000, it must be used to reduce the next remittance request.
- Inactive: Program income earned after the program year is completed.

Tracking Program Income



- Separately on balance sheet;
- County or project specific;
- Contract number;
- Project Year
- Amount received by each client;
- Amount expended; and
- Types of program income.

PI Tracking Sample



GETTING YOUR PAPERWORK IN ORDER

What needs to be documented?



- Copy of remittance request and cover memo;
- EDI receipt and proof of deposit e.g.; bank statement;
- Invoices or vouchers, showing client's name, check number, ledger code, and approval process; and
- Copy of pre-numbered check and proof of cancelation e.g.; bank statement.

Preparing for the Financial Compliance Review



Review the financial compliance review checklist and make sure you can answer or provide the required documentation for each question:

- ✓ No documentation that employees are bonded and for how much;
- ✓ Most current audit has not being uploaded;
- ✓ Invoices do not show approval process;
- ✓ Budget monitoring is not being done; or
- ✓ Leverage funds and/or PI funds are not being tracked.

What else?



- ✓ Do not wait until the last moment to start preparing for the compliance review;
- ✓ Make sure your files and reports are current (within the last month); and
- ✓ Ask your CD Specialist any questions you have **before** his or her arrival.

Closeout



- Final Financial Report
- Final Program Income Report
- Final Leverage Report
- Inactive Program Income Report
- Annual Contract & Subcontract Report
- Completion Report
- Final Financial Summary
- The budget in CAMS must reflect the amounts reported in the Completion Report

CDBG

IPR

Retaining Records



- ✓ You must maintain all financial records and any other records pertinent to the project for a minimum of five (5) years from the date of the project's final closeout.

- ✓ Exceptions:
 - Litigation or unresolved audits issues; and/or
 - Disposition of nonexpendable property.

Resources



- ✓ Your manual
- ✓ Your flash drive:
 - ✓ Financial tracking samples
 - ✓ OMB Circular A-133
 - ✓ 2015 Public Procurement Act
 - ✓ Policy Memos
- ✓ Your Community Development Specialist



Any Questions?



THANK YOU!
